

Extended Markets Alpha Programme

Monthly Report

December 2007

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme
(April 2004 to December 2007)

Return Summary

Latest Month	-0.29%
Year to Date	9.51%
Last 12 Months	9.51%
Sharpe Ratio	1.88
Return to Date	81.08%
% Trading Days Up	56%
% Trading Days Down	44%
Maximum Daily Drawdown	(1.30%)
Maximum Monthly Drawdown	(0.46%)

Return Statistics for December 2007

Latest Month	-0.29%
Maximum Daily Drawdown	(1.30%)
Days to Recovery	13
% Trading Days Up	42%
% Trading Days Down	58%
Average Up Day	0.25%
Average Down Day	(0.21%)

Volatility remained elevated throughout December as both market and Geopolitical tensions saw investors fluctuate between safe haven and higher yielding risky assets. The US Dollar outperformed for the majority of the month, triggered by a less than expected rate cut from the Federal Reserve. However, the assassination of Pakistani opposition leader Benazir Bhutto, seen as a major US ally in the "War on Terror", saw geopolitical tensions rise and the Greenback give up the majority of its Mid-December gains.

December started well, reaching a 0.90% return within the first few trading days. However, a change in risk sentiment following cooperative effort by major Central Banks to tackle the global credit issues saw investors rush into risky assets, namely the so called "Carry Trade". This resulted in a rapid decline in the Yen, forcing Sterling/Yen and Dollar/Yen positions into their stops and hitting the daily maximum drawdown for the month of 0.55%. This reversal in sentiment saw a peak to trough swing of 1.67%, with the low point of the month down 0.77%

The Bank of England cut interest rates in December signalling their concerns over growth outweighing those over inflation. The strategy remains short Sterling as our biggest position and one which was added three times in December as the model signals a developing downtrend.

Signals were triggered in late December for a move in the Australian Dollar towards 0.83 cents and we look to scale into this position as the trend develops. Our Trend Continuation signal has again identified a continuation of the downtrend in Sterling/Yen and Dollar/Yen, consequently we have re-established short.

Increases in volatility as a product of both thin liquidity and whipsawing market sentiment saw risk allocated to the strategy scaled back significantly in the latter stages of the month as we looked to avoid any further adverse movements. We expect to increase exposure in the New Year when liquidity returns and volatility relents.

The strategy returned a loss of 0.29% in December leaving performance for the year up 9.51% and 81.62% since inception in 2004. We look to continue this strong performance into 2008 after a difficult 2007.

Cambridge Strategy Extended Markets Alpha Programme Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	37.83%				0.69%	4.24%	0.06%	1.36%	1.72%	7.39%	8.39%	7.61%	1.61%
2005	13.46%	1.15%	2.55%	0.81%	0.01%	2.17%	0.54%	2.46%	0.53%	1.07%	0.97%	-0.01%	0.49%
2006	5.73%	0.54%	1.39%	0.51%	0.98%	-0.46%	0.00%	0.67%	-0.03%	-0.03%	0.81%	0.26%	0.97%
2007	9.51%	-0.07%	-0.14%	0.65%	1.11%	0.15%	0.45%	0.25%	0.03%	5.90%	-0.32%	1.58%	-0.29%

Eurohedge Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	1.90%				-1.30%	-0.62%	-0.29%	0.28%	-0.26%	-0.05%	0.38%	2.39%	1.04%
2005	2.73%	-0.42%	0.09%	-0.23%	0.12%	0.64%	0.44%	0.33%	-0.88%	1.12%	0.36%	1.12%	0.03%
2006	1.84%	-0.09%	0.68%	-0.08%	0.14%	-0.05%	-0.17%	-0.10%	-0.09%	0.42%	0.48%	1.28%	0.26%
2007	1.06%	0.75%	-0.59%	0.40%	0.53%	-0.10%	0.97%	0.08%	-0.97%	0.55%	0.62%	-1.09%	

Performance figures calculated include only margin interest received and are net of fees. The returns are representative of an average of the managed accounts traded.

Risk Warning:

This brief statement does not disclose all of the risks and other significant aspects of trading in currencies and options. The Cambridge Strategy (Asset Management) Limited manages for and advises to professional investors only. Investors must bear in mind that this type of investment can be volatile, values can decrease as well as increase and that past performance is no guarantee of future performance.